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July 23, 1993

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

EX PARTE

Mr. William Caton
Acting Secretary
Federal communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

RE: CC Docket 92-77

Dear Mr. Caton:

On behalf of Pacific Bell enclosed is a document it wishes to have associated with the proceeding indicated above.

Pursuant to Section 1.1206(a)(1) of the Commission's Rules, an original and two copies of this notification are attached. Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,



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Betsy Stover Granger
Attorney

Legal Department
140 New Montgomery Street
San Francisco, California 94105
(415) 542-7649

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M. Street, N.W., Room 222
Washington, D.C. 20554

Re: CC Docket No. 92-77, Billed Party Preference
for O+ InterLATA Calls

Dear Mr. Caton:

On June 25, 1993 Pacific Bell met with the Policy Division and others regarding Billed Party Preference. This letter is in response to a request to provide an expanded description of the costs identified in the ex parte document along with key variables and assumptions.

L1. OSS7 IMPLEMENTATION

OSS7 provides out-of-band SS7 Signaling between the end office and the operator services switch which provides billed party preference functionality. In addition, the associated end office feature package permits routing of 0+ and 10-XXX traffic over separate trunk groups. It also passes the 1+ PIC of the originating line forward from the end office. This PIC can be used as an interLATA routing default for those situation where the end users 0+ preference is not available.

The costs will vary by the # of end offices and cost per feature package. In this estimate we assumed a vendor cost per feature package of \$50,000 per end office

End Office Feature Package
715 End Offices x \$50,000 = \$35,750,000

OSS Office Upgrades
19 TOPS Offices x \$50,000 = \$ 950,000

L2. AABS UPGRADES

AABS (Automated Alternate Billing Services) is a mechanized system to process calling card, collect and bill to third calls. End Users select a billing option by pressing "11" or "12". The system then prompts them to provide either a billing number or the end user name and processes the call accordingly without manual intervention.

Pacific Bell's current AABS system was purchased for normal growth and other enhancements that will be utilized to the current capacity. The additional projected call volumes as a result of BPP will require twice the processing capacity of the current system. Note however, that under BPP the Interexchange Carrier AABS system will share some of the call processing steps once the call is handed off by the Local Exchange Carrier. Further analysis of the impact of this call segmentation scheme could reveal that the LEC AABS capacity needed per call is less than today. The result would then be a corresponding decrease in required

L4. LIDB UPGRADES

Software changes to LIDB to handle multiple PICs, a four digit carrier identification code (CIC) instead of the current three digit version, and fraud control. Upgrade costs are estimated to be \$2,440,000.

L5. OTHER TOPS COSTS

TOPS is the Pacific Bell operator services system. 0+ traffic currently routed from end offices to the interexchange carrier's operator services systems will need to instead route from the end office to the local exchange carrier's systems.

Pacific Bell estimated it would need an additional 65,772 trunks to handle this increased volume based on busy hour calls per tandem = \$23,947,477.

Software modifications are required in the TOPS to process billed party preference calls. These include addition of numerous routing tables and logic and the ability to handle much higher volumes = \$13,548,720.

L6. ADMINISTRATION/BILLING

Since the 0+ PIC can be different than the 1+ PIC, the administrative costs identified are to design and develop an infrastructure to establish, process and change a 0+ PIC. SORD changes required to update LIDB to reflect PIC changes, to implement Central Office 0+ PIC Changes and to update the billing records (BOSS). Development, delivery and training costs for revised methods & procedures. The billing costs are intended to reflect any implementation and ongoing costs to bill the IEC/OSP for each call handled through the CABS system.

Administration and billing costs are estimated to be \$3,000,000.

L7. OPERATOR SERVICES CENTER AND TRAINING

This category includes the operator services operational costs associated establishing two new operator centers and the associated training.

Increased call volumes and average work time required to handle BPP calls are key variables in the costs reflected in this category.

Capital start-up costs include site preparation, floor space, carpeting, computer equipment, network connections, and furniture = \$5,812,600.

Software and supplies are included in expenses = \$1,795,000

The following expense dollars were developed as a result of applying multiple factors to our estimated investment. Current factors were used in this analysis; however, it should be noted that these factors are reviewed annually. Any changes to these factors, accounts, or investment dollars will impact the expenses reflected herein.

L9. REPAIR AND MAINTENANCE

This provides an estimate for routine repair and maintenance associated with capital equipment. Based on actual accounting data from the end of 1991, these factors are the annual expenses developed as a percentage of historical investments.

Repair and Maintenance factors are determined on an account basis:

	<u>Repair</u>	<u>Maintenance</u>
Account 222000	.0078	.1491
Account 221210	.0281	.0228

Capital equipment repair and maintenance expenses are \$648,328.

This category also includes maintenance associated with the billing system. Billing system maintenance of \$2,000,000 was estimated as the annual expense necessary to maintain/perform BPP billing functions.

L10. OPERATOR SALARIES

This reflects the need for 315 additional operators to handle BPP volumes at the fully loaded hourly wage rate. The required number of operators and associated wages are driven by the call volumes. Our volumes assumptions do not reflect any reductions due to BPP call segmentation or reduced customer confusion.

L11. ADMINISTRATION

This is based on a factor applied to capital costs (does not include common overhead).

Administration factors are developed by dividing the recurring expenses by the total investment by various product categories to obtain an actual unit cost per dollar of investment in the previous year.

A factor of .2763 was used for Accounts 222000 and 221210.

L12. RETURN & TAX

This is based on the Return and Income Tax Factor (RIT) applied to a net investment amount.

Return is the return on investment, in a specific year, that is expected by stockholders (return on equity) and to pay bondholders (interest on debt) for their contribution of funds which were used to construct or purchase plant.

Tax is the income taxes that would be paid by the company given the specified return was realized. Consideration is also given to the investment tax credit amortization and to the amortization of deferred taxes (difference between book and tax depreciation).

L13. DEPRECIATION

Depreciation is the expense we are allowed to claim for tax and for bookkeeping purposes for the wearing down of our plant. It is a way of spreading the cost of our plant over its useful life or income generating period. Depreciation expense also considers the reduction in value of equipment due to technological advances.

The FCC depreciation schedules are used to develop the depreciation expense. FCC depreciation rates are vintage oriented which means that the year of placement determines the depreciation rate to be applied.

The following depreciation rates were used as a percent of gross investment:

Account 222000	.107
Account 221210	.066

If any additional information is needed, please let me know.

Sincerely,



Betsy Stover Granger
Attorney

cc: Mr. Mark Nadel